

BOEING AIRPLANE COMPANY

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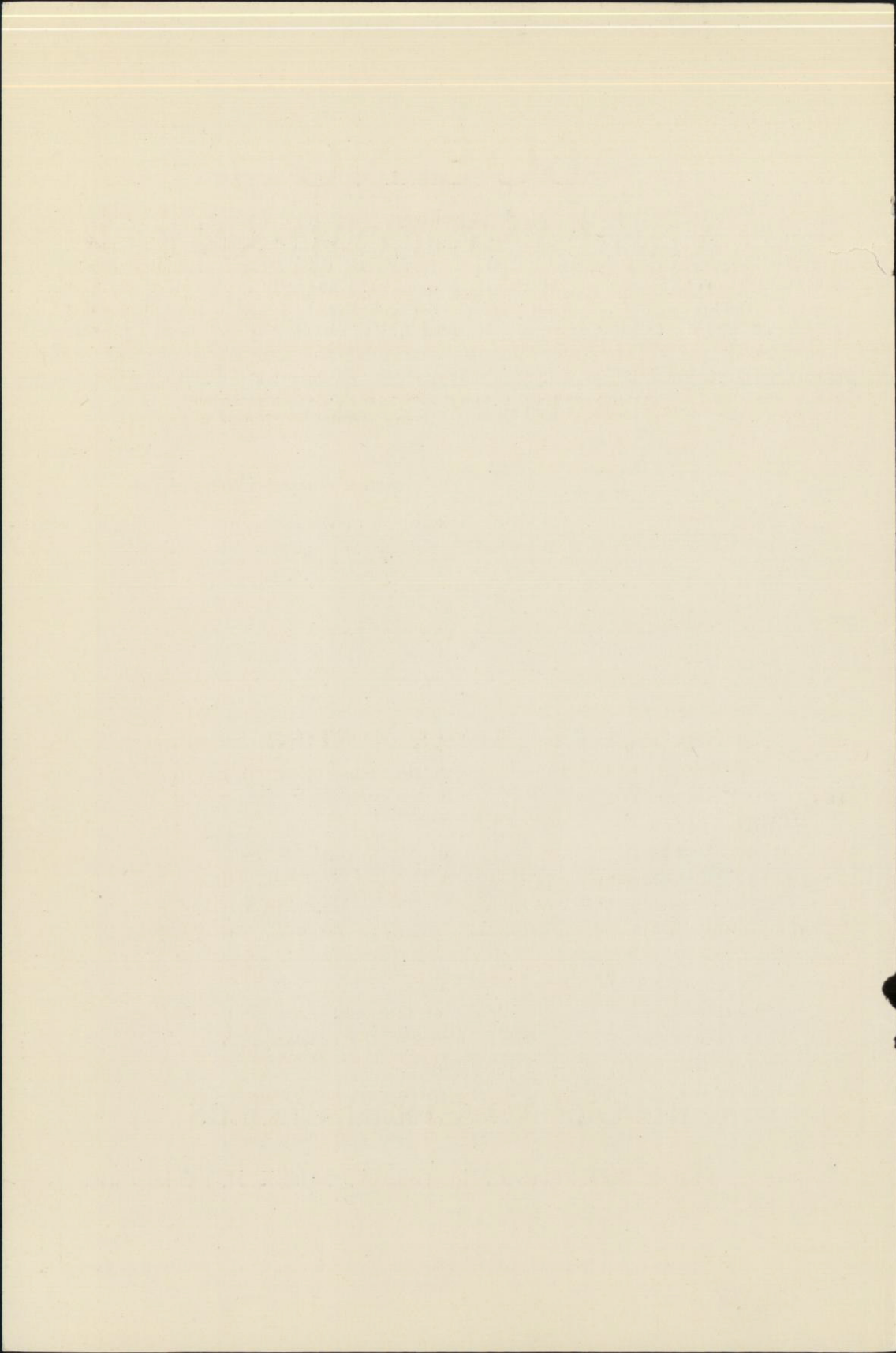
SUBSIDIARY COMPANIES



REPORT TO STOCKHOLDERS

FOUR MONTHS ENDED DECEMBER 31, 1934

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BOARD OF DIRECTORS

WILLIAM M. ALLEN of Messrs. Todd, Holman & Sprague	HARRY I. KIRK of Chicago, Illinois
HAROLD E. BOWMAN <i>Secretary and Treasurer</i> Secretary and Treasurer of Boeing Aircraft Company	CHARLES N. MONTEITH Vice-President and Chief Engineer of Boeing Aircraft Company
GARDNER W. CARR <i>Vice-President</i> Vice-President in Charge of Manufac- turing of Boeing Aircraft Company	ERIK H. NELSON Vice-President in Charge of Sales of Boeing Aircraft Company
CLAIRE L. EGTVEDT <i>President</i> President of Boeing Aircraft Company	DIETRICH SCHMITZ President Washington Mutual Savings Bank

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CLAIRE L. EGTVEDT.....	<i>President</i>
GARDNER W. CARR.....	<i>Vice-President</i>
JAMES P. MURRAY.....	<i>Vice-President</i>
HAROLD E. BOWMAN.....	<i>Secretary and Treasurer</i>

GENERAL COUNSEL
TODD, HOLMAN & SPRAGUE

GENERAL AUDITORS
ALLEN R. SMART & CO.

TRANSFER AGENT
CITY BANK FARMERS TRUST COMPANY, NEW YORK

REGISTRAR
THE NATIONAL CITY BANK OF NEW YORK, NEW YORK

To the Stockholders of Boeing Airplane Company:

Submitted herewith are the consolidated financial statements of your corporation and its subsidiary companies as of December 31, 1934. The profit and loss account dates from September 1, 1934, at which time your company acquired certain of the assets of the United Aircraft & Transport Corporation. It will be recalled that your company was formed for the purpose of acquiring these assets upon the dissolution of United Aircraft & Transport Corporation.

Your company owns 100% of the stock of Boeing Aircraft Company and of The Stearman Aircraft Company.

Boeing Aircraft Company, a Washington corporation, has been engaged in the manufacture of aircraft since 1916. It has been one of the leading manufacturers in the country of both military and commercial aircraft. Its plant is located at Seattle, Washington. In addition the company controls Boeing Aircraft of Canada Limited, a Canadian corporation with a plant at Vancouver, British Columbia, through ownership of 92.62% of the common stock and 90.43% of the preferred stock of the Canadian company. Boeing Aircraft of Canada has been practically dormant during the period under review. Little or no aircraft work has been done and the business enjoyed has been largely repairs of small boats, fishing craft and other types of marine work.

The plant of The Stearman Aircraft Company is located at Wichita, Kansas. This Company has specialized in trainer types and in 1934 was awarded a contract for 41 trainers by the Navy Department, which was the first government contract enjoyed by this subsidiary.

In order to simplify management and taxation problems the Board of Directors have under consideration the advisability of Boeing Airplane Company acquiring the assets of Boeing Aircraft Company and possibly of The Stearman Aircraft Company, thereby eliminating these subsidiaries.

The consolidated financial statements show that your company has sustained losses during the four months of its existence. Due to unsettled conditions in the industry there has not been available the normal volume of aircraft business and a considerable portion of the losses sustained by your company have been due to sub-normal opera-

tions. Losses were further increased due to additional labor and material costs on contracts taken by the operating subsidiaries prior to the passage of the National Industrial Recovery Act.

Your Directors have been keenly conscious of the unsettled conditions existing throughout the industry and have endeavored to operate your companies on a sound and economical basis. However the officers of your companies are convinced, based upon their many years of experience, that the manufacture of aircraft can be successfully carried on only by spending fairly substantial sums in the development of new models in those fields which hold forth promise of producing future business. Accordingly, the engineering staffs of the subsidiaries of your company are engaged in the development of new designs, both military and commercial, and this development expense has accounted for a substantial part of the losses indicated. The officers and directors of your companies are of the opinion that these new designs now being developed will result in a substantial amount of new business.

Prior to September 1, 1934, the export business of your subsidiaries was handled by the export sales organization of United Aircraft & Transport Corporation. Upon the dissolution of that company your subsidiaries were left without any foreign representation. Due to unsettled conditions at home your company has felt it mandatory to make a study of foreign markets in order to have first-hand information regarding foreign sales possibilities and marketing methods. The expenses incidental to such a study have been written off currently and account for a portion of the losses sustained.

Substantially the only expenses incurred by Boeing Airplane Company are for taxes, legal and auditing expenses, fees of transfer agent and registrar and the cost of stock certificates. The officers, numbering four, are not paid any salaries. They are all actively engaged in the management of the subsidiary Boeing Aircraft Company and the compensation received by each is commensurate with services actually rendered to the subsidiary.

Your companies have been leaders in design and quality of manufacture and your officers and directors intend to maintain this enviable reputation.

By order of the Board of Directors.

Respectfully submitted,

C. L. EGTVEDT, *President.*

March 4, 1935.

CONSOLIDATED BOEING AIRPLANE COMPANY

DECEMBER

BALANCE SHEET ASSETS

CURRENT ASSETS:

Cash		\$1,102,284.90
Notes and Accounts Receivable:		
Trade Accounts Receivable.....	\$560,183.96	
Claims Pending, Sundry Accounts and		
Accrued Interest	27,798.25	
	\$587,982.21	
Less—Reserve for Doubtful Accounts.....	6,646.05	581,336.16
Inventories:		
Raw materials and supplies, work in process and		
finished products, less reserve \$138,443.82, at		
substantially the lower of cost or market.....	\$340,684.52	
Contracts in progress, less reserve \$32,503.96,		
valued at the lower of cost or selling price for		
estimated percentage completed.....	379,929.56	720,614.08
TOTAL CURRENT ASSETS.....		\$2,404,235.14

INVESTMENTS AND OTHER ASSETS:

Miscellaneous Stocks and Mortgages, less reserve \$36,171.64.....	34,809.00
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FIXED ASSETS:

Property and Equipment, at cost:		
Land and Buildings.....	\$1,016,319.85	
Machinery, Tools and Equipment.....	686,287.37	
	\$1,702,607.22	
Less—Reserve for Depreciation.....	613,545.53	
	\$1,089,061.69	
Land, Buildings, and Equipment of The Stearman		
Aircraft Co. constructed in 1930, and written		
down in 1931 to estimated realizable value,		
less reserve for depreciation—\$42,726.22.....	144,873.91	1,233,935.60

INTANGIBLES:

Patents	\$ 9,142.93
Less—Reserves	9,142.93

DEFERRED CHARGES—Insurance, etc.....	21,868.96
	<u>\$3,694,848.70</u>

CURRENT LIABILITIES: LIABILITIES

Accounts Payable	\$ 71,723.35	
Accrued Wages, Taxes, etc.....	88,864.96	160,588.31

RESERVES:

For Insurance	26,381.30	
For Contingencies	13,420.51	39,801.81

MINORITY INTEREST:

Boeing Aircraft of Canada, Limited:		
Preferred Stock—Series A—335 shares.....	\$ 33,500.00	
Common Stock—960 shares.....	741.53	
Total Capital Stock.....	\$ 34,241.53	
Minority Proportion of Deficit.....	34,241.53	

CAPITAL STOCK AND SURPLUS:

Capital Stock:		
*Authorized 600,000 shares of \$5.00 par value,		
**Issued or to be issued 521,883 Shares.....	2,609,415.00	
Capital Surplus, representing the ex-		
cess of net assets acquired by Boe-		
ing Airplane Company at August		
31, 1934, over the par value of		
capital stock issued or to be		
issued therefor.....	\$1,111,020.73	
Earned Surplus—Deficit as per		
Profit and Loss Account	225,977.15	885,043.58
		<u>3,494,458.58</u>
		<u>\$3,694,848.70</u>

(See Footnotes on Next Page)

FINANCIAL STATEMENTS

and SUBSIDIARY COMPANIES

31, 1934

PROFIT AND LOSS ACCOUNT

Four Months Ended December 31, 1934

Gross Sales, Less Discounts, Returns and Allowances		\$1,116,627.32
Cost of Sales.....	\$1,133,809.47	
Engineering and Development Expense..	74,922.68	
Selling, General and Administrative Expenses	111,704.17	
Depreciation	31,937.92	1,352,374.24
Operating Loss		235,746.92
Other Income:		
Profit on Sale of Fixed Assets.....\$	19,737.55	
Interest	2,083.18	
Sundry	1,930.79	23,751.52
		\$ 211,995.40
Income Deductions:		
Organization Expenses	\$ 5,086.55	
Sundry	8,895.20	13,981.75
Net Loss		\$ 225,977.15

The directors of Boeing Aircraft Company have under consideration the liquidation of that company's subsidiary, Boeing Aircraft of Canada Limited. In this connection it is estimated that a loss may be incurred not in excess of \$200,000.00.

The preferred dividends (6% cumulative) of Boeing Aircraft of Canada Limited were paid to December 1, 1930, and the unpaid cumulative dividends amounted to \$24.50 per share at December 31, 1934. The total unpaid cumulative dividends on the minority interest of 335 shares of preferred stock at December 31, 1934, amounted to \$8,207.50 for which no provision has been made in the foregoing statement.

*Of the authorized Capital Stock, 28,946 $\frac{1}{2}$ shares are issuable, jointly with shares of United Air Lines Transport Corporation and United Aircraft Corporation, upon the exercise of stock purchase warrants of United Aircraft & Transport Corporation, if exercised on or before November 1, 1938.

**The Plan of Reorganization of United Aircraft & Transport Corporation, approved by the stockholders of that company under date of June 20, 1934, provided, in part, that the Boeing Airplane Company would issue a total of 521,883 shares of its Capital Stock to be distributed to stockholders of United Aircraft & Transport Corporation upon surrender of their stock certificates in the latter company for cancellation. Of the 521,883 shares, a total of 442,402 $\frac{1}{2}$ shares were issued and outstanding at December 31, 1934, and 79,480 $\frac{3}{4}$ shares were still to be issued.

CONTINGENT LIABILITY: Under guaranty of Boeing Airplane Company, jointly and severally with United Aircraft Corporation and United Air Lines Transport Corporation, of all liabilities known and unknown, of United Aircraft & Transport Corporation and The United Aircraft & Transport Corporation (of Conn.). A fund has been established in an amount believed to be sufficient to pay known liabilities, reorganization expenses and contingent claims under an agreement that the guarantor corporations will share any unrequired balance, or deficiency, in proportion to their relative net worth at the time of their commencing operations.

THE BOEING AIRPLANE COMPANY, SEATTLE, WASHINGTON.

We have made an examination of the Consolidated Balance Sheet of Boeing Airplane Company and its subsidiary companies as at December 31, 1934, and of the operating statement for the four months ended that date. In connection with our investigation we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the company; we also made a general review of the accounting methods and of the operating and income accounts for the period, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of operations fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the period under review, their combined position at December 31, 1934, and the result of operations for the four months ended that date.

ALLEN R. SMART & CO.
Certified Public Accountants

Los Angeles, California,
March 2, 1935.

